GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:5274
ANSWERED ON:05.05.2008
COMMODITY EXCHANGES
Badiga Shri Ramakrishna

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) the details of National and Regional Commodity Exchanges in the country alongwith the products traded therein as on date;

(b) the number of new exchanges proposed to be set up alongwith the proposed location thereof; {

(c) whether there is any proposal to provide loans to farmers participating in future trading;

(d) if so, the details thereof and action taken thereon; and

(e) the efforts made to involve State Level Marketing Committees,Non-Government Organisations (NGOs) and Cooperative Sector in future trading alongwith the success achieved therein?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF THE STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (SIIRI TASLIMUDDIN)

(a): The details of `National`and `Regional`Commodity Exchanges in the country along with the products in which they are recognized for trading is given at Annexure.

(b): The Government does not have a view on the number of new Exchanges to be set up.However,the Government will consider the application for setting up a commodity exchange from any company,association etc. on merit as and when such proposal is received.

(c): No Sir.

(d): Does not arise in view of reply to part (c) above.

(e): State Level Marketing Committees, Non Government Organizations (NGOs) and the Cooperative Sector can play a useful role as aggregators in helping farmers aggregate their produce for price risk management on the Commodity Exchanges and for collateralized finance. These aggregators can assume the role of facilitating agents or a risk-bearing layer between the farmers and the commodity exchanges. Moreover, downside risks and transaction costs can be distributed among several farmers by these aggregators so that the possibility of default arising out of disproportionate exposures is mitigated.

In addition to the above, such agencies can play a vital role in information dissemination and knowledge/capacity-building of farmers. Undeniably, keeping track of the market developments and taking suitable positions on the commodity exchanges is a lot easier for aggregators than it is for individual farmers. Alternatively, these aggregators can rely on an intermediary to fulfill their information, financial and infrastructural needs. These intermediaries can be a broker, financial institution, a government institution, technical consultancies etc.

Forward Markets Commission has adopted a two pronged strategy to involve State Level Marketing Committees, Non Government Organizations (NGOs) and Cooperative Sector in futures trading .In the first stage, FMC along with the Exchanges has worked at increasing their awareness about the futures market. In the second stage, when these organisations decide to enable their constituents to learn and participate in futures trading, then the Exchange organizes training sessions/workshops including training on the terminals, explaining exchange processes etc.

The efforts made by the Commission have already resulted in the participation of some cooperatives and federations in the commodity futures markets.